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Diggs Indicted in \$101,000 Payroll Fraud

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Rep. Charles C. Diggs Jr., chairman of the House District Committee and the most senior and powerful black member of the House, was indicted today on charges that he defrauded Congress of \$101,000 by padding his payroll with non-existent employees and taking kickbacks from three staff members, apparently to pay off personal debts.

The 35-count indictment alleges that from 1973 through last March the Michigan Democrat received money from three staff members who turned part of their salaries over to him.

Profile of Rep. Diggs, A-7

The indictment also alleges that he charged his congressional payroll for employees — including his personal attorney, accountant and an employee of his Detroit funeral home — who never worked for him.

Under the technical language of the indictment, Diggs is charged with 14 counts of mail fraud and 21 counts of making false statements.

Diggs, who is in Mozambique, said in a prepared statement released by his office here, "I am innocent of the charges being leveled against me."

"I do not believe that I have violated any federal law or any House rule or precedent. Allegations in an

indictment do not prove guilt, and I am confident that due process of law will vindicate me."

A press release accompanying the statement said, "The timing of the indictment shows an unfortunate sensitivity . . . to the nature of the congressman's mission to Africa. He is in Africa today as a representative of the United States Congress . . . and will join President Carter in Nigeria during a meeting with the leaders of that country."

THE STAFF members named in the indictment for returning to him part of their salary included a former office manager, a field representative in his home district of Detroit, and Ofield Dukes, a Washington pub-

lic relations man who worked part-time for Diggs.

According to the federal grand jury indictment, Diggs has increased and decreased the salaries of selected staff members over the last four years, allegedly skimming off the difference for his personal and business use.

The 55-year-old congressman — who told The Washington Star last June he had no idea how much he really owed — has been in severe financial difficulty for several years, both in Detroit and Washington.

According to the indictment, Diggs used the difference between his staff members' regular pay and their inflated salaries to pay off various per-

sonal, business and congressional debts. Sources close to the investigation said the staff members personally paid Diggs' bills during those time periods.

The indictment alleges that between July 1, 1973, until about March 1977, Diggs inflated the salary of his then-office manager Jean G. Stultz from a base of between \$14,500 and \$22,700 up to \$33,600 and \$37,300. During the same period his field representative, Felix Matlock, received salary variations from \$12,800 to \$37,000.

The indictment also alleges that Dukes received salary variations between \$12,000 and \$37,000. Dukes, who

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REP. CHARLES DIGGS

*File
DIGGS*

Problems Chairman Diggs — A Life of Power and

By Charlie McCollum
Washington Star Staff Writer

To the people of his Michigan Congressional district, Charles C. Diggs is the man who made good, fulfilling a father's life-long dream.

To black politicians, Diggs is the man with the power, the nation's senior black elected official and the one with the most clout.

To the people of the District of Columbia, Diggs is the man, who — even after home rule — wields as

much power over District affairs as any of Washington's elected officials.

Behind all the power, though, is Charlie Diggs, man in trouble.

Facing charges of receiving kickbacks from his own staff, Diggs is about to see his often complex private life revealed to the public.

It is a life filled with broken marriages and bad debts, circumstances politicians would normally like to keep out of sight and out of voters' minds.

THE 55-YEAR-OLD Diggs was born into the public life. In 1936 his father, Charles C. Diggs Sr., parlayed his position as the leading mortician in the Detroit black community and one of its wealthiest men into a seat in the Michigan Senate. Diggs Sr. served until 1948 when he was convicted of bribery charges that led to a 16-month term in Jackson State Prison.

Upon his release, the elder Diggs was re-elected to his seat, but the

legislature refused to seat him. When a special election was called to fill the vacancy, it was his 23-year-old son — fresh from stints in the Army and the family business — who stepped forward to win the Senate seat.

Diggs served two terms, while completing his law degree. In 1954, however, his father started counting heads in Michigan's 13th Congressional district and realized there was a majority of black voters. With his father's organizational skills, Diggs

DIGGS

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has his own public relations firm, Ofield Dukes and Associates, today denied that he ever paid Diggs' bills for him. "That isn't true, that's absurd," he said.

DUKES EXPLAINED that he had been reimbursed for advertising he placed in behalf of Diggs' congressional work, but denied he had ever received a salary higher than \$21,000 in any given year.

Dukes said he was reimbursed for payments to the Michigan Chronicle, a weekly black newspaper in Detroit and for Sunday morning airtime on radio station WJLB for Diggs' regular show, "A Congressman Speaks."

Dukes said he later discovered both the newspaper and the radio station carried a single account for Diggs' congressional work and his funeral home. He said he is not certain if he accidentally paid for advertising for the House of Diggs.

"At no time was there any involvement of the congressman in this process," Dukes said. "And at no time did any money go directly to him."

The indictment also charges that Diggs placed three persons on his congressional staff who only did personal or business work for him. The indictment charges Diggs billed Congress approximately \$20,000 for the salary of Jeralee Richmond, who in fact was an employee of his Detroit undertaking firm, the House of Diggs.

The indictment also alleges that his attorney, Hallison Young, was paid approximately \$35,000, while his personal accountant, George G. Johnson, was paid approximately \$19,000.

All three of the non-staff members were paid with U.S. Treasury checks. None of the six persons named as participants in the kickback scheme was indicted. A source close to the investigation said the probe was begun last June after a person made an anonymous telephone call to the U.S. Attorney's Office suggesting it look into Diggs' payroll practices.

Sources said the indictment was reviewed extensively by the Justice Department and was personally approved by Attorney General Griffin B. Bell.

DIGGS DEFAULTED on a Federal Housing Administration home improvement loan in 1975, has had continuing troubles with the Internal Revenue Service and recently had a \$28,770 judgment lodged against him by Woodward & Lothrop. Court records in Washington and Detroit indicated that last year he was being sued for more than \$66,223.

The 23-year veteran of Congress arrived in Mozambique yesterday as part of his annual spring trip to Africa as chairman of the International Relations subcommittee on Africa.

Diggs visited in Dar es Salaam, Tanzania, earlier this week and plans further stops in Zambia and several other African countries before traveling to Havana, Cuba.

As part of the investigation, the grand jury subpoenaed payroll, tax, and personnel records since 1972 for several members of Diggs' staff, including former office manager Jean G. Stultz and Felix R. Matluck, a De-

troit field representative for the congressman.

The grand jury also subpoenaed Diggs' financial records from several Washington banks.

DIGGS, THE first black sent to Congress from Michigan, the dean of that state's delegation and now the most senior and powerful black congressman, was first elected in 1954. He represents an inner-city Detroit district, where he has been considered virtually unbeatable and often had no opposition.

There was no immediate reading on what Diggs' indictment would do to his power on Capitol Hill. He is not required either by law or House rule to resign even if convicted and sentenced to prison.

By a two-thirds majority vote, the House could decide to expel him, but historical precedent makes that highly unlikely.

The House could vote to reprimand or censure Diggs, but neither action would affect his status as a committee chairman or a voting member of the House.

Nor would Diggs be barred from running for re-election. In 1956 Rep. Thomas J. Lane, D-Mass., served four years in a federal prison for federal income tax evasion, was

re-elected in November.

Diggs is the second member of Congress charged with receiving kickbacks from employees. In 1976 former Rep. James F. Hastings, R-N.Y., was convicted of taking payroll kickbacks from two employees. He is serving a 20-month to five-year prison term.

The mood in Diggs' office was subdued but busy this morning as staff members pursued their regular tasks while trying to cope with constantly ringing telephone.

"We've been expecting it," explained one secretary. The door to the congressman's office was open when a visitor arrived but was soon closed by a staff member who said, "The camera crews will be here wanting to fill it."

DIGGS HAS a history of deep and sustained debt dating back 20 years.

A licensed mortician, he inherited his father's lucrative funeral home chain, the House of Diggs. But he sold the firm in 1975 when it reportedly was on the brink of foreclosure by a Detroit bank.

The chain was in financial trouble after defaulting on a Small Business Administration loan when James A. Stinson, a Detroit funeral home owner who has known Diggs all his life, bought him out, Stinson said in an interview last July.

Stinson bought Diggs out with the aid of a \$250,000 SBA loan. Stinson said Diggs has reaped nothing financially from the sale, however. He got no money from the transaction and, although he received 20 percent of the stock in one Diggs-Stinson Funeral Home, it has only recently reopened after renovations. No dividends have been paid.

The only child of the prominent Detroit family, Diggs had a more favored childhood than many black children. But, based on financial records which were revealed at his father's death in 1967, the family may not have been as wealthy as their neighbors thought.

Some of those who knew Diggs Jr. have suggested that the debts which have characterized his adult life — and may have contributed to his involvement in the alleged payroll kickback scheme — may have come from his attempt to keep up public appearances, however erroneous they might always have been.

Diggs' personal indebtedness —

exclusive of home mortgages — was \$36,000 in 1959 and \$45,000 in 1971. His exact current indebtedness is unknown.

DIGGS HAS married three times and fathered six children, the most recent born Jan. 20, 1977, Inauguration Day, and named Cindy Carter Diggs in honor of the president.

Diggs' first married in 1947 to a secretary in his father's House of Diggs funeral homes. That marriage ended, three children later, in 1953. The \$36,000 personal debt Diggs had then included overdue payments on fur insurance, payments on a new Cadillac and clothing bills including a \$770 tab at Saks. He agreed to a

substantial settlement but defaulted after the first \$1,844 payment.

He remarried 38 days later to an lawyer by whom he had two more children. He divorced her in 1971, adding child support payments for two young children to the reduced monthly alimony and other payments he had resumed paying to his first family.

Nonetheless, he married again within days, to 28-year-old Janet Hall, a foreign service officer with the State Department. The couple bought a fashionable Capitol Hill townhouse five years ago. Part of a \$28,770 debt they ran up at Woodward & Lothrop came from redecorating it.

was able to easily unseat the white, Irish incumbent.

Since that November in 1954, Diggs has not had a hard re-election fight. In his last two campaigns, he received 90 and 89 percent of the vote against nominal Republican opposition.

That "safe seat" made Diggs in 1970 the senior elected black in Congress when Congressman William Dawson died and Adam Clayton Powell was stripped of his seat. Diggs immediately helped to form the Black Caucus, becoming its first chairman.

TWO YEARS later, he suddenly — and surprisingly — became chairman of the House District Committee when long-time chairman Rep. John McMillan of South Carolina, the next ranking Democrat, retired. He is credited with helping push through the Home Rule Act after an extended fight.

Around the same time, Diggs became chairman of the House International Affairs Subcommittee on Africa. The job takes him frequently — critics say too frequently — to that continent, adding to a voting and attendance record that is one of the worst in the House.

Behind the scenes, Diggs has had

personal and financial problems. He has been married three times, has fathered six children and currently makes mortgage payments on three different homes.

His father's funeral business fell on hard times, with Diggs eventually selling out to a friend in 1975 just before a Detroit bank was to foreclose on the business.

Described by friends as a man with few vices, Diggs has nevertheless run up scores of personal debts over the years. According to court records, the debt grew from \$36,000 — exclusive of mortgage — in 1959 to more than \$45,000 in 1971. The current figure is undetermined.

In recent years, however, the Congressman has been sued by — among others — the Internal Revenue Service, Hertz Rent-A-Car, Woodward & Lothrop, the National Capital Bank and Raleigh Stores.

In one case, he was threatened with arrest for failing to comply with a court order. In several others, he paid up debts only under strong pressure.

Friends say that Diggs is too proud a man to seek help — a characteristic which may have further complicated his already complicated life.

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